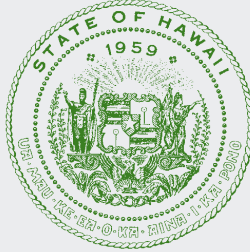


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HAWAII TOURISM AUTHORITY

2001 Annual Report to the Hawaii State Legislature

Governor Benjamin J. Cayetano
Roy Tokujo, Chair, Hawaii Tourism Authority
Richard L. Humphreys, Executive Director, Hawaii Tourism Authority

December 19, 2001



Letter from the Hawaii Tourism Authority

On behalf of the Hawaii Tourism Authority (HTA), we are pleased to present the Authority's annual report for calendar year 2001. The purpose of this report is twofold: 1) to describe the HTA's major activities for the year; and 2) to raise the awareness and understanding of tourism and its contributions to the State of Hawaii.

This report is more than just facts or figures about a year's worth of tourism efforts in Hawaii. It is our hope that this report also reflects the efforts and accomplishments of every member of the tourism industry, business, government and community as they also contributed to the efforts detailed in this annual report.

Looking back over the past twelve months, 2001 was a difficult, yet remarkable year. It was difficult because Hawaii was affected by a succession of serious market conditions occurring around the world, from devaluation of all foreign currencies relative to the U.S. dollar, to the continued slowdown of the Japanese economy and the affects of the tragic September 11th terrorist attacks on the United States. Yet it was remarkable, because despite these adversities, the people of Hawaii, both within and outside of tourism, came together to respond to the challenge of what and how to move Hawaii forward. The HTA is privileged to be a part of that effort.

While 2001 results have not yet been tallied, the latest research indicates that travelers to Hawaii will spend a little over \$10 billion by year-end. While, understandably, this does not come close to reaching last year's record figures, the tax revenues and jobs generated from visitor spending indicates the industry is still an extremely important economic generator that contributes to an improved quality of life for Hawaii's residents. The \$61 million expended by the state to market and develop Hawaii's tourism industry is a legitimate function of government as it continues to bring a significant return on investment, thus enabling other state programs—health, education, public safety, infrastructure—to operate.

On behalf of the HTA, we hope that this report is a useful resource to all. Mahalo to all those who have assisted, supported and worked with us, throughout the year. Together, we can achieve a strong visitor industry for the benefit of Hawaii's communities—a Hawaii that is the best place to visit and the best place to live and work.



Roy Tokujō
Chair



Richard L. Humphreys
Executive Director

Hawaii Tourism Authority

Members

Roy Tokujo, Chair

President & CEO

Cove Entertainment, Inc.

W. David P. Carey, III, Vice-Chair

President & CEO,

Outrigger Enterprises, Inc.

Gary J. Baldwin

Managing Director

Kauai Technology Center

Shari W. Chang,

Senior Vice President of Sales & Marketing

Aloha Airlines

David H. Gleason

General Manager

The Dunes at Maui Lani

Millicent Kim

President

Millicent Kim, Inc.

Research Consultant

Gilbert M. Kimura

Regional Sales Manager

Japan Airlines

Kalowena Komeiji

Hawaii Public Television

Brian Minaai

Director, State of Hawaii,

Department of Transportation

Seiji F. Naya

Director, State of Hawaii,

Department of Business,

Economic Development & Tourism

Peter H. Schall

Senior Vice President, Hilton Hotels

and Managing Director, Hilton Hawaiian Village

Representing

City & County of Honolulu

At-Large

Kauai

At-Large

Maui

Hawaii Island

At-Large

Community

Ex-Officio

Ex-Officio

At-Large

At-Large

Members (continued)

Keith Vieira

Senior Vice President,
Director of Operations – Hawaii
Starwood Hotels & Resorts Worldwide, Inc.

Ron Wright

Managing Director,
Sales and Marketing – Hawaii
Continental Airlines

Representing

At-Large

At-Large

HTA Management

Richard L. Humphreys

Executive Director

Lloyd I. Unebasami

Chief Administrative Officer

Muriel A. Anderson

Director of Tourism Programs

Sharon M. L. Freitas

Communication Officer

Winfred Pong

Contracts and Program Manager

HTA Major Contractors and Supporting Organizations

Hawaii Visitors and Convention Bureau (HVCB)

Leisure Marketing

Hawaii Visitors and Convention Bureau (HVCB)

Business Marketing

SMG

Hawaii Convention Center
Management and Marketing

TEAM Unlimited

Sports Marketing

Research & Economic Analysis (READ)
of the Department of Business, Economic
Development and Tourism (DBEDT)

Tourism Research and Data Collection

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I. Executive Summary

In 1997, Hawaii's leaders in government, visitor industry and business took a bold, new approach to funding and governing state tourism marketing. The outcome was the creation of a perpetual, dedicated tourism fund at a globally competitive level, and the establishment of the Hawaii Tourism Authority (HTA) to manage that fund and to serve as the entity charged with developing a vision and a long-range plan for tourism for the state, and for administering tourism from a statewide perspective.

While the HTA has been in existence for only three years, each year has marked the HTA's evolution as an agency:

- Year one (1999) marked the birth of the newly formed HTA and the development of the Authority's first Tourism Strategic Plan, *Ke Kumu – Strategic Directions for Hawaii's Visitor Industry*. *Ke Kumu*, intended as a living document, provides the broad strategic framework that guides the Authority's focus in seven key initiatives.
- Year two (2000) was a time of fast and furious activity as the HTA put its plan to work, testing the first stages of *Ke Kumu*. Given its primary responsibility to market and promote Hawaii, the HTA spent considerable energies and resources in the areas of marketing, events, and product development.

Now in its third year of operation, the HTA continues to implement its Tourism Strategic Plan—*Ke Kumu*—to strengthen tourism for the benefit of Hawaii's communities. A summary of this year's highlights are outlined below:

- **Initiative A – Communication & Community Relations.** The HTA stepped up its outreach and communications activities with its stakeholder groups to discuss a broad range of matters—from tourism issues and HTA programs, to the impact of the September 11th attack, and the dengue fever outbreak. Equally significant, the HTA initiated efforts to officially update its Tourism Strategic Plan—*Ke Kumu*.
- **Initiative B – Marketing.** The HTA's marketing contractor, the Hawaii Visitors and Convention Bureau (HVCB), continued to implement the integrated leisure and MCI (Meetings, Conventions and Incentives) marketing strategies approved by the HTA. The plan was adjusted appropriately to respond to continued worsening of economic conditions in major market areas (MMAs) and through the third quarter, these targeted marketing efforts produced 5 billion impressions, 60+ million web hits, and over 200,000 requests for vacation planners. The enormity of the September 11 tragedies and the resulting downturn in Hawaii's visitor counts called for urgent and focused adjustments to Hawaii's marketing plan, actions, messaging and market mix. The integrated *Hawaii Tourism Action Plan* was created by a special committee appointed by Governor Cayetano. The plan, primarily focused between October 1, 2001 and March 31, 2002, is designed to reduce the severity and length of the economic impact of September 11 and is well on its way to achieving its objective.
- **Initiative C – Events.** Advances continued in this key directive through the HTA's events contractor, TEAM Unlimited, as follows: 1) Strengthening the relationship between the State of

Hawaii and the National Football League for hosting the Pro Bowl in Hawaii through 2005; 2) Executing a long-term agreement with the PGA TOUR for six professional golf tournaments to be held annually in Hawaii; 3) Developing a strategic plan for event marketing in Hawaii through 2003; and 4) Growing the state's portfolio of high-quality sporting events.

- **Initiative D – Product Development.** Continued improvements and refinements to this important program area were made as follows: 1) Teaming up with several dozen entrepreneurs, community groups, and public entities to diversify, enhance and increase the number of experiences, attractions, activities and projects in several niche areas throughout the state; and 2) Launching the HTA's festival strategy with major festivals throughout the state.
- **Initiative E - Airlift.** Activities to enhance airlift to the state included: 1) Continuing efforts to strengthen communications and partnerships between Hawaii and primary air carriers, including a visit to Continental Airlines' headquarters; 2) Commencing research efforts to track air seats to Hawaii and officially report the information in the state's monthly visitor statistic reports; and 3) Coordinating with the airlines to provide updated information on air service as a result of the September 11th events.
- **Initiative F – Infrastructure and Support Services & Initiative G – Regulations and Investment Incentives.** Efforts in these initiatives included: 1) Participating in legislative matters; 2) Supporting visitor experience enhancement programs; 3) Planning for the development of Sustainable Tourism; and 4) Participating in public/private projects.

Additionally, the HTA took the lead in two statewide tourism efforts that were not part of the seven initiatives outlined in *Ke Kumu*. These efforts included:

- Continued oversight and responsibility for the Hawaii Convention Center facility by the HTA through its contractor, SMG, under the Governor's Executive Order No. 3817; and
- Successful hosting of the prestigious Asian Development Bank Meeting in Hawaii in May 2001 at the Hawaii Convention Center.

In reflection, 2001 has been a year of new and unprecedented challenges and opportunities for the HTA which as an agency, has evolved dramatically since its inception in 1998. This year, the HTA continues its transformation as the state entity with oversight for tourism, clarifying its roles and responsibilities, making improvements in existing programs and assuming additional responsibilities, all the while, taking tourism and the State of Hawaii to the next level.

II. Overview of the Hawaii Tourism Authority

History

In 1997, after seven years of an unprecedented stagnant economy, Hawaii's leaders came together to develop measures to improve the state's economy. Specifically, Governor Benjamin Cayetano, the Hawaii State Legislature and members of Hawaii's visitor and business communities worked diligently to craft legislation—Act 156, SLH 1998—that would allow for a new and dedicated mechanism to fund tourism, an increased level of funding for tourism at a globally competitive level, and the creation of an executive board—Hawaii Tourism Authority—responsible for tourism policy, development and marketing for the state.

The main points of Act 156 are:

- **Hotel Tax.** Effective January 1999, the Transient Accommodations Tax (TAT) was increased from 6 percent to 7.25 percent and broadened to include time share accommodations.
- **Dedicated Tourism Funding.** With the passage of this legislation, 37.9 percent of the TAT was dedicated to create an annual tourism fund that places Hawaii's promotional reach at the international level of competition and allows for long range budgeting and planning, something that was difficult to achieve under the past uncertainties of year-to-year funding.
- **Hawaii Tourism Authority.** An executive board was established to create a vision and long range plan for tourism and to administer tourism development from a statewide perspective.

As the state entity charged with tourism oversight, the HTA is guided by its mission:

To manage the strategic growth of Hawaii's visitor industry in a manner consistent with the economic goals, cultural values, preservation of natural resources and community interests of the people of Hawaii.

Organization of the HTA

The HTA board of directors is a unique public/private partnership comprised of 11 voting members and two ex-officio, nonvoting members representing the visitor industry, business community, community-at-large and government, as well as the four Counties. The 13-member HTA Board of Directors is guided by a Chair and Vice-Chair who are elected by their peers for a one-year term of leadership.

The primary purpose of the board is to set broad policy and direction for the Authority's activities, through its Tourism Strategic Plan—*Ke Kumu: Strategic Directions for Hawaii's Visitor Industry*. While implementation of its plan is creative and flexible, *Ke Kumu* identifies seven initiatives which provides the framework under which the HTA develops and implements its tactical programs and activities throughout the year.

To achieve its mission and implement its plan, the Authority employs a committee structure aligned to reflect the agency's priorities for the year. As such, in its first board meeting of the year, under the guidance of its new leadership team, the HTA Board voted to revise its committee structure to carry out the agency's focus for 2001, as follows:

- **The Public Policy & Communication Committee** serves as the HTA's liaison with Hawaii's key tourism stakeholder groups (e.g., Legislature, Government, Tourism Industry and Community) and provides oversight of HTA's efforts in community outreach and community programs.
Committee members: Millie Kim (Chair), Gary Baldwin, David Gleason, Kalowena Komeiji, Brian Minaai and Peter Schall.
Staff: Sharon Freitas and Caroline Yap.
- The **Marketing Committee** oversees the leisure and business tourism marketing contractors and proactively monitors issues affecting marketing decisions.
Committee members: Peter Schall (Chair), Gary Baldwin, Shari Chang, David Gleason, Gilbert Kimura, Keith Vieira and Ron Wright.
Staff: Muriel Anderson.
- The **Events Committee** guides the development and refinement of HTA's event marketing plan as well as oversees the event contractors.
Committee members: David Carey (Chair), Gary Baldwin, Shari Chang, David Gleason, Millie Kim and Kalowena Komeiji.
Staff: Muriel Anderson and Jamie Lum (HTA) and Gail Ann Chew (HVCB).
- The **Product Development Committee** administers the Product Development program.
Committee members: Dave Gleason (Chair), Gary Baldwin, Kalowena Komeiji, Millie Kim, Kalowena Komeiji and Brian Minaai.
Staff: Muriel Anderson and Jamie Lum (HTA) and Bobbie Okamoto (HVCB).
- The **Strategic Planning and Accountability Committee** has responsibility for revising HTA's annual planning visitor industry targets, monitoring economic projections for the industry, updating the HTA's Tourism Strategic Plan, and participating in other long-range planning projects for the visitor industry.
Committee members: Gary Baldwin (Chair), Shari Chang, David Gleason, Millie Kim, Brian Minaai, Seiji Naya, Peter Schall and Keith Vieira.
Staff: Caroline Yap and Sharon Freitas.
- The **Budget and Finance Committee** oversees the allocation of funds among the various function areas of the board while insuring the integrity of HTA's funding.
Committee members: Keith Vieira (Chair), Gary Baldwin, David Gleason, Millie Kim, Peter Schall and Ron Wright.
Staff: Lloyd Unebasami.

To follow through on committee directives, conduct daily operations, and carry out other HTA-related activities, the HTA Board of Directors is supported by the HTA's Executive Director and staff, and the professional organizations listed below:

- Hawaii Visitors and Convention Bureau (HVCB) for tourism marketing in the leisure and business segments;
- SMG for management and short-term marketing of the Hawaii Convention Center;
- TEAM Unlimited for event management and marketing; and
- Research and Economic Analysis Division (READ) of the State Department of Business, Economic Development & Tourism (DBEDT) for tourism research.

Measurable Goals

The goal of the HTA is to achieve managed growth of Hawaii's tourism industry by increasing **visitor expenditures**—a combination of *spending per day*, *length-of-stay*, and *visitor arrivals*. The goal set forth in *Ke Kumu* is growth in visitor expenditures at an average annual growth rate of 4.6 percent unadjusted for inflation through 2005, for the state. This goal was developed by the HTA to ensure a modest growth rate that would provide economic stability for the community and illustrates where the HTA intends to be in the long-term, over the next several years. The HTA also develops annual planning visitor industry targets—visitor expenditures, visitor days, length of stay, per person per day spending and visitor arrivals, for the state and by MMA. These targets are revised each year or as needed, as world conditions change, more information is gathered and other factors come into play.

Ke Kumu – Strategic Directions for Hawaii's Visitor Industry

In 1999, the HTA conceived its first Tourism Strategic Plan, *Ke Kumu: Strategic Directions for Hawaii's Visitor Industry*, designed to strengthen tourism for the benefit of Hawaii's community. It was premised on two foundation studies, a competitive analysis of Hawaii's visitor industry and a product assessment of the offerings that Hawaii provides the visitors. Upon its draft, the HTA held a series of public meetings in which *Ke Kumu* was shared with all island communities for their review, understanding and comments. This phase of the strategic planning process resulted in validating the overall strategic direction in which the HTA and tourism should be headed.

It is HTA's intent that *Ke Kumu* form the basis upon which Hawaii's future as a visitor destination be built and thus have broad, long-term application and adaptability as the foundation for HTA's tactical programs and activities. For this reason, the HTA develops and executes a diverse range of projects, programs and activities each year that best serve the seven initiatives articulated in *Ke Kumu* and listed below:

- **A – Communications and Community Relations.** Implement a communication, education and outreach plan to enhance understanding of, support for, and participation in tourism by the community, visitor industry, and government agencies.
- **B – Marketing.** Increase promotional presence and brand identity to more globally competitive levels to optimize performance in each Major Market Area (MMA).
- **C – Events.** Develop and support events that generate awareness of the Hawaii brand through high-quality national and international exposure.

- **D – Product Development.** Develop new tourism events, experiences and attractions related to agriculture, culture, education, health & wellness, nature, sports and technology to complement Hawaii’s traditional resort product and assist in overall economic diversification.
- **E – Airlift.** Facilitate growth in airlift to Hawaii in a way that is profitable to the air carriers.
- **F – Infrastructure & Support Services.** Be a strong advocate for investments in infrastructure and support services to strengthen tourism and enhance resident quality of life, particularly the revitalization of Waikiki and other key tourist destination areas.
- **G – Regulations & Investment Incentives.** Support changes in laws, regulations, and capital spending to enable development of alternative and diversified products and new attractions while sustaining Hawaii’s natural and cultural resources and community values.

III. IMPLEMENTATION OF INITIATIVES

A brief narrative of the HTA's activities in Calendar Year 2001 up through December 19, 2001 are presented over the following pages.

A) Communications and Community Relations

The HTA conducts outreach, educates stakeholders about tourism and HTA activities, participates in crisis communications efforts and serves as a resource for tourism research and other information. The HTA's major activities in 2001 are outlined below:

- **Outreach – Funding Workshop.**

The HTA convened its annual funding workshop during the month of April on the islands of Oahu, Molokai, Maui, Lanai, Hawaii (Hilo and Kona) and Kauai. The purpose of the workshops was to provide the public with general information on tourism and the HTA as well as specific information on two of HTA's programs—Product Development and Business Destination Marketing. In total, over 220 participants from around the state attended these workshops.



HTA's Funding Workshop on Oahu

- **Tourism Education - Update of *Ke Kumu*.** This year, the HTA commenced update of its Tourism Strategic Plan, a process which included the following efforts:

- ***June/July Informational Community Meetings*** were held on all islands to share with the public what the HTA had accomplished since *Ke Kumu* was written in 1999, discuss HTA's future plans and activities, and offer the public a venue to voice their thoughts. Overall, the HTA obtained constructive feedback from the 228 people who attended the meetings and a full report can be found on HTA's website.



HTA's Informational Community meeting on Kauai

- ***Resident Surveys*** were conducted in late summer to report on resident attitudes toward tourism in Hawaii and to determine if attitudes had changed since the study was first

conducted in 1999. While the survey results were used as background information in the rewrite of *Ke Kumu*, the results themselves were not released as it was felt that resident sentiments may have changed in light of the September 11th events. At the time of this report, the HTA intends to conduct another survey in 2002, with a comparison of both surveys (pre and post September 11, 2001) made, thereafter.

- ***Rewrite of the plan.*** From summer through fall, the HTA's Strategic Planning & Accountability committee embarked on the rewrite of *Ke Kumu* which focused primarily on a careful review of the initiatives and an update of all appendixes of the plan. Other sections of the plan were also revisited, fine-tuned and additional information included. The resulting draft of *Ke Kumu (October 2001 version)* reflected two years of knowledge and experience by the board, incorporated community comments, and contemplated the changes and future trends in Hawaii's visitor industry. During the month of November, this draft was presented to the public in a series of statewide meetings that attracted 118 participants.
- ***Revised Ke Kumu (December 19, 2001).*** Following the community meetings in November, *Ke Kumu* was revised. Then, at the December 19th HTA board meeting, *Ke Kumu* was deferred for approval pending a request for additional information. It is anticipated that the plan will be finalized and approved in early 2002.
- **Crisis Communications Efforts**, in which the HTA played an integral part, are summarized below:
 - ***September 11th terrorist attacks on the United States.*** At 5:00 a.m. Hawaii Standard Time (HST), the HVCB established a communications center in its Honolulu offices. There, the HVCB was joined for nearly ten days by HTA staff and members of the visitor industry, including representatives of the Airline Committee of Hawaii and the Hawaii Hotel Association. Beginning September 11th, this partnership worked together to analyze events, coordinate issues, review and revise marketing efforts and communicate information.

The HVCB canvassed media, travel industry, research entities and Hawaii's travel partners to gather relevant information on market conditions and consumer reaction in all MMAs; and coordinated industry efforts to care for visitors who were unable to depart Hawaii in the days following the attacks. Information was and continues to be synthesized and shared with a wide group of audiences both within and outside of the Islands through HVCB's "Industry Updates," via blast email, blast faxes and on HVCB's website (www.gohawaii.com).

The HTA board and staff also held ongoing discussions with the Administration, HVCB and other members of the visitor industry. Specifically, HTA staff met with state officials at the state's Emergency Operations Center (EOC) on the coordination of emergency requirements impacting visitors and the visitor industry. Key issues at the outset included: 1) the development and distribution of a message to visitors regarding the situation and what they should do; and 2) assisting approximately 4,600 visitors who were arriving on the 19 aircraft authorized to land in Hawaii. By mid-morning of September 11th (HST), both situations had been successfully handled, and visitors unable to travel were assisted and accommodated.

The HTA also participated in several strategy sessions with the Governor, Legislature, other government agencies, business and non-business partners, and Hawaii's Congressional leaders to discuss and assess the terrorist attacks of September 11th, and to work on measures to address the economic crises arising from the attacks.

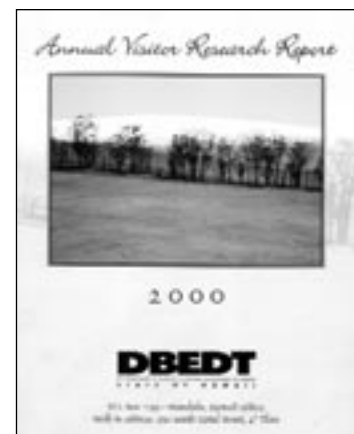
The HVCB continues to identify, gather and circulate information on a timely basis to help all to assess the depth and duration of the impacts of tourism and to proactively develop and implement an integrated, global marketing action plan designed to stabilize visitor arrivals by June 30, 2002 (more information on this plan is found under Initiative B).

HTA's tourism research arm, READ, posts daily information on the DBEDT website in a section titled—Special Visitor and Unemployment update—that monitors the impact of the events of September 11 on air travel and unemployment in Hawaii. The website (www.hawaii.gov/dbedt/special) that was set up under the direction of Governor Benjamin Cayetano, is the product of a joint effort between several state agencies. It provides special estimates and tabulations of overseas passengers arriving at the state's airports and weekly statistics on unemployment insurance claims.

As the lead tourism agency for the State, the HTA gathers information from other sources in an effort to raise the awareness of tourism-related issues with the Legislature, other government agencies, visitor industry and the general public. For this reason, the HTA has been convening a series of meetings which include government officials, visitor industry representatives, county agencies, business and non-business partners and the media. The purpose of these meetings are to allow others to present their assessments, voice issues and concerns, and to help HTA to broaden its views about tourism and explore new opportunities.

- **Dengue Fever.** Upon learning of the dengue outbreak on Maui in early October, the HTA and HVCB met with the Department of Health (DOH) to discuss and plan how communication to various audiences should be disseminated. The HVCB and its Maui chapter (Maui Visitors Bureau) also worked with DOH and county officials to ensure accurate, factual information was being delivered to visitors, the visitor industry, media and others. The HVCB continues to coordinate between the DOH and HVCB's call centers on the most current and appropriate information for visitors and others.
- **Resource – Tourism Research and Information.** The HTA through the Tourism Special Fund, provides funding for DBEDT's READ to conduct Hawaii's tourism research activities for the state. Such activities include collecting tourism data, reporting the data through monthly visitor statistics reports, and producing key research reports.

For the year 2001, READ produced several research reports, including the Annual Visitor Research Report, Semi-Annual Visitor Satisfaction Report, Quarterly Developing International Marketing Report, and the Annual Visitor Plant Inventory. In addition, this year, READ launched its first cruise ship survey to provide information on the spending and travel patterns of cruise patterns



DBEDT's 2000 Annual Visitor Research Report

and began to report on monthly visitor expenditure data by MMA on a continuous basis. This and other tourism information can be found on the DBEDT website and is available to government and tourism officials, businesses and the community large, for the purpose of converting intelligence into action, formulating policy decisions and for understanding the economic importance of tourism.

B) Marketing

The HTA's primary responsibility is to oversee the efforts to market and promote Hawaii to the world in both the leisure and business markets. The desired outcome of these dual-branding efforts is continued growth in visitor spending in Hawaii to stimulate job creation and generate tax revenues which in turn, supports various state programs.

For CY 2001, the HTA's activities in this initiative are reported by market segment, in a chronological manner as follows: HVCB's CY 2001 marketing activities in the leisure and business markets prior to the September 11th terrorist attacks on the U.S., followed by a separate accounting of Hawaii's Tourism Action Plan, the state's emergency marketing efforts in response to the attacks.

Leisure Marketing. The HVCB is contracted by the HTA to develop and implement an annual tourism marketing plan (ATMP) which directs the bureau's activities in the global leisure market. The ATMP is premised on developing and implementing programs to the targeted markets within each MMA, with the greatest potential return on investment, so as to support the HTA's goal of growth in visitor expenditures.

- Upon approval by the HTA board last year, the HVCB began execution of its 2001 plan. Then, within the early months of 2001, the HTA and HVCB began to proactively adjust the approved marketing plan and timeline in response to various external factors specifically affecting all of Hawaii's MMAs, including the following:
 - The weakening of all major foreign currencies relative to the U.S. dollar;
 - U.S. economic slowdown and confidence crisis;
 - Increasing fuel costs and projected further OPEC production cuts; and
 - Decline in quality and quantity of air service to Hawaii.
- As a result, the HVCB revised its CY 2001 ATMP to ensure that the allocation of HTA's leisure marketing funds of \$39 million, by MMA, had the greatest potential return on investment, in terms of visitor expenditures.
- The marketing strategies for each MMA, the bureau's CY 2001 budget by MMA, and highlights through the third quarter are provided below:
 - **U.S. West.** Maintain momentum and generate new growth from Hawaii's largest source market by leveraging brand familiarity and geographic proximity.
 - **U.S. East.** Continue expansion and development efforts in key U.S. East markets that have large populations and a high percentage of first-time visitors.

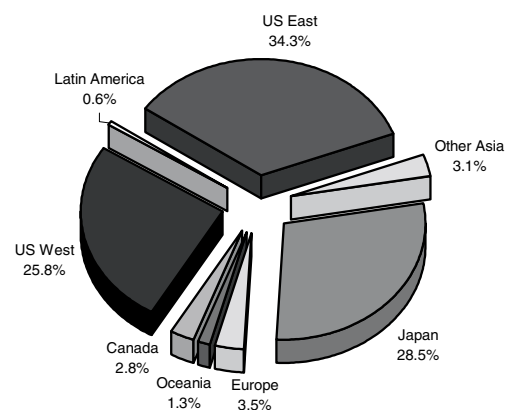
- **Japan.** Broaden and deepen brand awareness by evolving “Aloha Magic” marketing theme and the “Reasons” campaign to targeted lifestyle segments in core and secondary markets with non-stop air service to the Islands.
- **Canada.** Build on brand awareness and geographic proximity in core Western markets, and establishes higher brand knowledge and demand in major Eastern markets that show growth potential.
- **Europe, Other Asia, Oceania, Latin America.** Sustain, revitalize and generate growth from these developing international markets by consistently positioning the Hawaii brand and its relevant vacation experiences.

HVCB's CY 2001 MMA Allocations

MMA's	%	\$\$
Canada	2.8 %	\$1,102,551
US West	25.8 %	10,051,339
Latin America	0.6 %	251,287
US East	34.3 %	13,389,477
Other Asia	3.1 %	1,225,753
Japan	38.5 %	11,130,427
Europe	3.5 %	1,351,569
Oceania	1.3 %	497,598
TOTALS	100.0 %	\$39,000,000

Source: HVCB

MMA Allocations for CY 2001



- Leisure marketing highlights through third quarter include the following:
 - 5 billion impressions worldwide through paid advertising, editorial coverage, public relations events and promotions, TV/film programming, internet and on-line marketing;
 - 60+ million web hits;
 - Over 200,000 requests for vacation planners (via 800 numbers and web sites);
 - 24/7 customer relationship management system including a 24-hour-a-day, 365-day-a-year 800-number call center system based in Hawaii;
 - Comprehensive, web-based Knowledge Bank of destination images, video and copy in multiple languages for use in all HVCB market projects globally;
 - Award-winning “May Day is Lei Day” promotion in 17 cities on five continents;
 - Experience Aloha! – Hawaii On Tour promotion in upscale shopping malls in nine North American markets, and Aloha Cities promotions in eight international markets;
 - Governor’s Ohana Mission to Japan (Tokyo, Osaka, Uwajima – “Ehime Maru”) in June;
 - “Reasons” campaign in Japan using traditional and new media channels, and extensive use of media tie-ups; evolution of “Aloha Magic” marketing theme;
 - Two cooperative marketing campaigns in Japan: “Ohana Magic” (summer family travel) and “Magic Fukubukuro” (housewives/young opinion leaders/shoppers) created;
 - Major presence in key travel trade shows globally; and
 - Hawai’i Destination Specialist program in North America with over 5,000 graduates.

Business Meeting Segment. The HTA recognizes the long-term potential of growing the business tourism sector as it is a high-yielding sector of the travel industry. Research documents that this segment has higher visitor spending patterns, provides improved airline yields and helps to fill the shoulder season. Given the HTA's focus on growth in visitor expenditures and stated strategy of facilitating growth in airlift to Hawaii, the HTA identified a level of increased emphasis on the MCI (Meetings, Conventions and Incentives) markets which includes the Hawaii Convention Center (HCC).

For Hawaii's marketing efforts in this segment, the HTA draws on the resources of two professional contractors who work together to attract and service targeted meeting clients:

- HVCB is responsible for the sales and marketing of HCC events from 13 months out; for generating leads for corporate meetings, conventions and incentives at facilities on all islands exclusive of HCC; and for providing client services for all MCI meetings.
- SMG is responsible for selling short-term (within a 13-month window) local and offshore events at HCC. (Note: under this section, only HVCB's efforts will be detailed as they reflect primarily offshore bookings for the center. Information on the short-term marketing and management of the center by SMG will be reported in a separate section.)

As the complement to the HVCB's 2001 ATMP for the global leisure segment, the HVCB developed the 2001 MCI plan which outlines the following strategies:

- Build off-shore bookings and attendance at the HCC to fill the shoulder seasons;
- Grow pre- and post-HCC travel for all neighbor islands;
- Increase the number of high quality meeting leads referred to hotels statewide; and
- Provide competitive destination support services for MCI clients statewide.

Key efforts by the HVCB in this important segment are described below:

- HCC marketing highlights include the following efforts:
 - Executed targeted sales activities in key client market centers resulting in 29 HCC bookings (as of November 2001), with 110,800 total attendees, 248,590 room nights, and visitor spending projected at \$365 million, including \$30 million in tax revenues;
 - Expanded Kuhina efforts resulting in six Kuhina-assisted bookings with 20,500 total attendees and visitor spending projected at \$71 million, including \$5.3 million in tax revenues;
 - Showcased Hawaii at 21 industry tradeshows, with co-op members' participation;
 - Hosted and conducted 39 HCC client site inspections;
 - Hosted 53 client promotions, including 2 fam tours, 4 Kuhina promotions, 16 MPI attendance-building promotions, and 4 sales blitz campaigns in the U.S. and Japan;
 - Launched expanded MCI website; and
 - Produced new sales collateral including 3 sales vides and the 2002 Meeting Convention & Incentive Planners Guide to be mailed out in January 2002.
- Marketing highlights exclusive of the HCC include the following efforts:
 - Expanded sales efforts in key client centers in the U.S. and abroad, resulting in 1,052 leads as of November 2001 and 741,024 potential room nights;

- Conducted 23 client promotions and 79 client site inspections;
 - Coordinated and or attended 20 industry tradeshows with co-op members' participation; and
 - Developed integrated statewide ad campaign with ad placements in 15 trade publications and directories.
- MCI Client Services highlights include the following efforts:
 - Conducted 10 attendance building promotions for HCC bookings in 2002 and 2003;
 - Provided destination support services for 18 HCC bookings and over 200 hotel bookings statewide, including 'showcase services' for Asian Development Bank and The International Association for Exposition Management; and
 - Produced destination collateral to meet meeting planner and delegate needs.

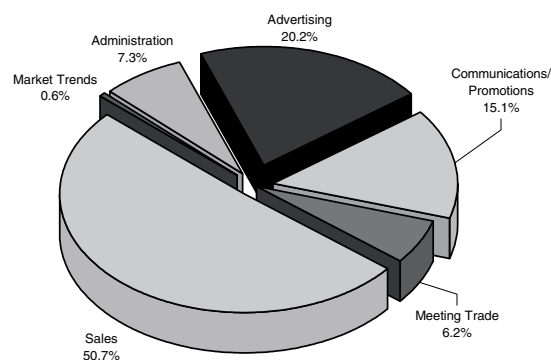
The HVCB's MCI budget for CY 2001 is provided below:

HVCB's CY 2001 MCI Allocations

MMA's	%	\$\$
Advertising	20.2 %	\$1,613,501
Communications/ Promotions	15.1 %	1,204,927
Meeting Trade	6.2 %	499,025
Sales	50.7 %	4,053,133
Market Trends	0.6 %	45,000
Administration	7.3 %	584,414
TOTALS	100.0 %	\$8,000,000

Source: HVCB

MCI Allocations for CY 2001



Hawaii's Tourism Action Plan. Following the September 11th attacks on the U.S., Hawaii's visitor industry was severely impacted. To combat the direct and rippling affects resulting from these tragic events, the state took immediate action on several fronts. With regard to the development and implementation of an emergency tourism marketing plan, the Governor appointed a special committee consisting of representatives from the HTA (Peter Schall), HVCB (Tony Vericella) and the business community (Walter Dods).

This plan, presented to, and approved for execution by the Governor, Legislature and HTA Board of Directors, is an integrated, marketing plan encompassing all islands and participation from all sectors of Hawaii's tourism industry and the community. The primary objectives of the plan are to minimize the severity and length of negative economic spiral and therefore will:

- Put people back to work and keep businesses up and running;
- Protect quality of life for Hawaii's residents; and
- Preserve the Hawaii experience for visitors.

Highlights of the plan are described below:

- Marketing Theme: *Live Aloha...Now More than Ever.*
- Market Targets: Consumer and Business Meeting Segments in top 20 markets in US West, US East, and Canada and top 3 market areas in Japan (Tokyo, Osaka, and Nagoya).
- Formal integrated marketing program officially launched October 7
- Japan - Governor's Aloha Mission to Japan. High-ranking delegation of Hawaii government, tourism, business, and education leaders led by Governor Cayetano and former Governors George Ariyoshi and John Waihee. The mission included meetings with Prime Minister Junichiro Koizumi, other top political and business leaders, and travel executives. It generated extensive coverage of the mission in Japanese news and travel trade media.
- North America - Two-week media and travel trade blitz by senior HVCB executives and public relations partners in the top 20 markets.
- Consumer efforts include PR and communication efforts, broadcast programs on TV/Radio, media tie-up programs (broadcast and radio), advertising, direct marketing, on-line marketing and special promotional events.
- Trade efforts to travel sellers (e.g., wholesalers, travel agents, meeting planners) include integrated, cooperative marketing programs such as travel agent events/ training, e-marketing and client promotions/familiarization trips.
- Business meeting tourism efforts aimed at retaining existing bookings and generating new bookings at HCC and CMI throughout the state.
- Coordinated efforts to stimulate economic activity within the state, including "Friends in Hawaii" (invited friends and family to visit Hawaii); "Buy Hawaii" (to stimulate resident travel and purchases within the state); "Share Aloha" (bringing New York, Pennsylvania, and D.C. Rescue Workers, Victims and Families to Hawai'i); and "Hawaii Value Pass" (added values and discounts to over 1,100 tourism-related businesses, e.g., restaurants, tours, shops, shows, activities, hotels, etc., throughout the state).



*Recent Marketing Activity for Japan:
10/9 Non-Commercial Newspaper Ad
(15.1 million total circulation)*



*Recent Marketing Activity for
North America: 10/9 Non-
Commercial Newspaper Ad
(11.3 million total circulation)*

Pictures courtesy of HVCB

Target: Stable visitor arrivals and visitor days by June 30, 2002.

Timing: Six month period from October 1, 2001 – March 31, 2002.

Budget: \$20 million (Special Tourism Fund; reallocated HTA/HVCB budgets; private cooperative funds).

C) Events

Sporting events of all types create substantial public benefits to the State of Hawaii and its citizens. In addition to the positive media and publicity they generate, significant economic impact accrue due to direct event spending as well as the dollars spent by event attendees. Repeated research has proved that the presence of sporting events results in increased tourism and interest in visiting Hawaii. The occurrence of major events in the islands also brings pride to the community, offers a positive leisure activity for local residents, and generally includes a significant charitable component.

The HTA recognizes that Hawaii is positioned to take full advantage of its temperate climate, infrastructure and brand marketing expertise to provide an array of prestigious events that will attract participants and spectators to Hawaii as well as provide added value for island residents. As such, this initiative is key to the HTA's goal of increasing visitor expenditures as creating and enhancing events is a major component of the state's overall strategy to get visitors to spend more.

Serving as a resource and key facilitator in this initiative is TEAM Unlimited, the Authority's event management and marketing contractor. The highlights for this initiative are outlined below:

- The HTA continues to strengthen the relationship between the State of Hawaii and the National Football League (NFL) for hosting the Pro Bowl through 2005. Significant structural and organizational changes have occurred within the NFL which promise to make the Pro Bowl an even better event in the future. With the Pro Bowl and related Pro Bowl broadcasts and activities being televised from Hawaii, the State benefits from hosting over 11 hours of live television each year. In addition, the HTA has negotiated rights to participate in numerous marketing programs and promotions offered by the NFL and its sponsors each year.
- In January 2001, a landmark agreement with the PGA TOUR was executed. Among the benefits to Hawaii was a best-efforts guarantee that the TOUR will continue to host six annual TOUR—related events in Hawaii through 2006. This provision was tested and proven with the successful relocation of the Kaanapali Classic from Maui to its new location at Turtle Bay Resort on Oahu's North



The Maui Marathon



World Cliff Diving Championships



At the 2001 PGA Grand Slam of Golf at Poipu Bay Golf Course, Tiger Woods became the first player ever to achieve four consecutive wins in the prestigious tournament.

Shore. In addition, this agreement provides a rational mechanism for awarding State sponsorship funds to the six events, and provides the State with rights to participate in numerous marketing programs each year. To date, this agreement has provided an excellent return on investment to the state, resulting in an increase in marketing benefits of over 400 percent.

- The HTA's CY 2001 portfolio of events consisted of 19 events totaling \$7.3 million.
- The HTA developed and approved a comprehensive statewide plan for event marketing through 2003 and beyond. This plan sets a firm foundation for the state to leverage and execute its existing events and provides clear direction and guidelines for the pursuit and acquisition of new events.
- Following the attacks of September 11th, TEAM Unlimited approached the remaining events of 2001 to negotiate increased exposure for Hawaii through broadcasts and promotional programs.
- Almost every major sporting event includes a charitable component that provides benefits to the community. This year, over \$1.5 million was raised for Hawaii's charities by the events in HTA's CY 2001 portfolio.



USA Gymnastics Pontiac American Team Cup



Hawaiian International Billfish Tournament

D) Product Development

With the needs, desires and spending patterns of visitors constantly changing, Hawaii must continue to focus on improving the tourism product to provide a diverse range of high quality experiences for first-time and repeat visitors. The HTA strives to achieve this through its Product Development (PD) efforts which develop new and enhances existing projects, attractions, events and experiences in several niche areas that are designed to:

- Enhance the visitor experience and increase the quality of life for residents;
- Ensure a diverse mix of tourism activities around the state;
- Support community-based tourism initiatives that provide entrepreneurial opportunities, create jobs for residents and doesn't require extensive development;
- Preserve Hawaii's indigenous and multi-ethnic cultures



Ka Molokai Makahiki



Maui Plantation Tour

while at the same time, educating visitors and residents about them; and

- Support HTA's goal of increasing visitor expenditures and length of stay.

Specifically, HTA's activities for the year can be broken down into three areas:

- **Product Development Contracts.** This year, the HTA teamed up with several dozen entrepreneurs, community-based organizations and public agencies throughout the state to develop a wide array of projects in the niches of agriculture, culture, education, health and wellness, nature and technology. For FY 02, the HTA board approved \$1.5 million in funding for 64 projects extending throughout all islands. HTA's funding was further leveraged to \$9 million with matching funds through the required minimum of 1:1 matching funds to the amount of state funds requested.
- **Business Destination Marketing (BDM) Initiative.** The BDM initiative was introduced this year, as a separate HTA program. The primary objective of this initiative was to develop a business identity for the state while marketing Hawaii as an attractive business destination, with a specific emphasis in the areas of Health & Wellness and Technology. For FY 02, HTA's funding of \$500,000 was leveraged to well-over \$7 million in matching funds, for seven projects spanning all four counties.
- **Major Festivals.** Major festivals represent a key segment within the PD program as they generate significant attendance to Hawaii and produce brand awareness of Hawaii as a destination. In CY 2001, the HTA provided \$1.1 million in funding (leveraged to \$6 million with 1:1 matching funds requirement) to nine major festivals throughout the state including the Aloha Festivals, Maui Film Festival, Honolulu Festival and the 22nd Annual Pan-Pacific Festival.

This year, the HTA became a member of the International Festival & Events Association, and has met with the Hawaii Chapter to discuss opportunities to work together in promoting Hawaii as a major festivals destination.



Hawaii Paniolo Festival



The Maui Space Surveillance System Visitor Tour Program is a unique program showcasing Hawaii's scientific and technical assets. It includes a tour of the Maui Space Surveillance System and the Institute for Astronomy atop Haleakala.



Eo E Emalani i Alakai Festival on Kauai



Honolulu Festival

E) Airlift

The purpose of the airline initiative is to attract new or increased levels of domestic and international air service to Hawaii appropriate to the level of demand from each MMA. A summary of the Authority's efforts are listed below:

- This year, the investigation of air seat demand due to the increased number of cruise ships coming to Hawaii was included under this initiative and two members from the cruise industry was added to the Airline and Cruise Facilitation Committee (ACFC).
- In July 2001, a Hawaii delegation went to Houston to meet with senior Continental Airlines officials. The purpose of the trip included gaining a greater understanding of national and global aviation issues, maintaining current air seat commitment to Hawaii, expanding airline routes to Hawaii; and strengthening the communication and relationship with a key service provider to Hawaii.
- In the areas of research, the HTA commenced a formal tracking system of air seats to Hawaii in partnership with the research departments of HVCB and DBEDT. This resulted in the official reporting of airline seats in DBEDT's 2000 Annual Visitor Report and in their monthly visitor statistics reports. Additionally, as a result of the September 11th attacks, the HTA has developed and implemented a new system in partnership with the airlines to keep the Authority updated on air service changes to Hawaii.
- The HTA worked with the State of Hawaii's Foreign Trade Zone No. 9 in efforts to eliminate the petroleum exclusion in Section 309 (a) (3) of the Tariff Act of 1930. This would allow vessels engaged in trade between the U.S. and Hawaii and Alaska to use duty-free, tax-free petroleum products on regularly scheduled commercial operations. Currently, the Hawaii Congressional Delegation is reviewing it for appropriate action.



As part of the delegation's visit with Continental Airlines, HTA Board Member and DOT Director Brian Minaai tested out the airlines' 767-400 flight simulator equipment.

F) Infrastructure and Support Services and G) Regulations and Investment Incentives

The HTA oversees, monitors, participates and supports a diverse range of tourism efforts statewide, beyond marketing and promotion. Specifically, in F and G, the HTA serves as advocate, coordinator, and facilitator to leverage endeavors by other government agencies, private organizations and individuals in addressing various tourism-related issues. A summary of the HTA's primary efforts in these initiatives, is outlined below:

- **Relating to the Legislature.**
 - Throughout the 2001 regular and special sessions, the HTA participated in various hear-

ings and provided testimony on numerous measures.

- **HCR 89, HD 1** requested the HTA to convene a task force to study safe access to view and learn about Hawaii volcanoes, and for the task force to submit its findings and recommendations to the Legislature prior to the 2002 session.

On July 18th, the HTA convened the first Volcano Task Force (VTF) meeting at which time it was discovered that there were outbreaks of lava flow beyond Hawaii Volcanoes National Park boundaries onto county property. This discovery led Mayor Kim to take immediate action and build an access road to provide safe access for those wishing to view volcanic activity at that site. The Mayor's expeditious and appropriate response to provide safety for those determined to view volcanic activity beyond the National Park Service (NPS) boundaries was applauded by VTF members and Kalapana Community representatives at the second task force meeting. As a result, the VTF believes that the original purpose and intent in convening the task force have been addressed with the Mayor's response. A copy of the VTF report will be submitted to the Legislature shortly.

Additionally, the HTA will continue to work with the Mayor and the County of Hawaii to support their efforts for a comprehensive program related to Hawaii's volcanoes which includes the development of educational programs for Hawaii's volcanoes and a community relations and marketing effort on that same matter.

- **SCR 31**, requested the State Auditor to conduct a management and financial audit of the HTA. At the time that this report went to print, the HTA has provided the State Auditor's office with information on its activities, programs and procedures, but has not yet received a copy of the auditor's findings.
- **Visitor Experience Enhancement Programs.** As part of its community program efforts, the HTA provided funds to the *Visitor Aloha Society of Hawaii (VASH)* chapters throughout the state. VASH offers assistance to visitors who become victims of crime or other adversities while on vacation in Hawaii. This year, the HTA helped establish first-ever chapters on Maui and in Kona. The HTA also supported greeting programs throughout the state to enhance the visitor arrival and departure experiences in Hawaii. This included support of cruise ship greeting programs at the following harbors: Hilo, Kona, Honolulu,



Cruise ship greetings at Lahaina Harbor on Maui



Cruise ship greetings at Hilo Harbor on Hawaii

Kahului, Lahaina, Nawiliwili and Eleele and the Lihue Airport Greeting Program on Kauai.

- **Sustainable Tourism Study.** The HTA is working with DBEDT, the lead agency for this effort, to conduct a Sustainable Tourism Study for the state. This study is intended to examine a wide array of issues pertaining to the visitor industry, including its present and future effects on Hawaii's environment, infrastructure, and residents' standard of living. The results of the study are intended for use as a planning tool by the state in developing a strategy to ensure that growth is managed in a way that the residents' quality of life and the visitors' experience both remain high.
- **Public/Private Collaboration.** The HTA works with other public and private entities on various tourism-related issues throughout the year. Following the September 11th attacks, the HTA created a safety and security investigative committee to do fact-finding regarding various county and state security measures and to ensure that the visitor industry is a part of these measures. The HTA also formed an investigative committee to work with the agricultural community statewide on issues pertinent to the impact of tourism on agriculture.

The HTA also began working with the hospitality and technology industries, the Governor's Office, and other state agencies to develop and promote understanding and awareness of how technology can assist in enhancing the hospitality industry.

IV. HAWAII CONVENTION CENTER

The Hawaii Convention Center (HCC) is a modern, high tech facility whose world-class designs reflect a *Hawaiian Sense of Place*. Completed in October 1997 and officially opened on July 1, 1998, HCC is state owned and privately managed. The center was built primarily to accommodate offshore events, largely association meetings and conventions, and to generate economic impact and new tax revenues for the state.

Management

Since the sunset of the Convention Center Authority in 2000, the HTA has continued to oversee and manage the HCC pursuant to the Governor's Executive Order No. 3817. To carry out this responsibility, the HTA contracts with SMG to professionally manage, short-term market, and maintain the center. SMG has been the state's contractor since 1996. Prior to the July 2001 expiration of SMG's initial contract term, the HTA undertook a comprehensive evaluation of SMG's performance to determine if a two-year option should be exercised.

An evaluation committee was formed consisting of the HTA Board Chair, Executive Director, and senior staff. The criteria used to assess SMG's performance was extensive and covered, issues such as financial results, booking goals and attainment, marketing, community relations, customer satisfaction, management and upkeep of the facility. SMG made a full day presentation to the committee and responded to committee questions. The committee's evaluation resulted in a report and recommendation to approve a two-year extension of the SMG contract, which was unanimously approved by the board in June 2001.

Marketing

SMG has responsibility for booking activity (local and off-shore events) that occur within a 13-month window, and also has the responsibility for administering and executing contracts with all groups holding space at the HCC.

In 2000, the HTA relaxed the HCC booking guidelines last year to permit the scheduling of local events by SMG. This change enabled residents and visitors to attend and enjoy a broad and diverse mix of program opportunities this year, including concerts, civic events, trade shows, educational seminars, sporting events, and a world-class car show. The public response to this change has been extremely positive and has resulted in significant new bookings.



2001 First Hawaiian Auto Show

A summary of SMG's booking performance for the year is provided below:

Hawaii Convention Center Event Totals

Month	Calendar 2000	Calendar 2001
January	4	10
February	4	8
March	8	6
April	6	11
May	9	14
June	3	12
July	1	9
August	7	9
September	13	15
October	16	18
November	12	25
December	12	11
Total	95	148

As of December 7, 2001

Source: SMG / HCC

Some of the local events booked by SMG are significant for a number of reasons. Key to the long-term success is the Center management's ability to service beyond the client's expectations. That success is reflected in the rebooking of the business, which is being demonstrated. The following is a sample of successful events:

- First Hawaiian International Auto Show;
- World Wide Group (12 events annually);
- Microsoft Corporation; and
- Hawaii AA Annual Meeting.

In addition, SMG has booked key offshore events this year, including Sun Micro Systems, AFLAC, Honolulu Festival and Allstate Insurance.

Community Relations and Customer Service

Enhancing community relations and customer service were primary objectives during 2001 and were achieved through a number of efforts this year, as listed below:

- **Client Recognition.** One new initiative that is already in motion and is being well received by key customers is the ***Customer Recognition Program***. The program involves recognizing six major clients who have exceeded the Center's expectations from a financial and program standpoint.

The symbol of this success is represented through the giving of a wood-encased canoe paddle. Along with the canoe and a team of people to stroke and direct, the paddle is the principal instrument by which the canoe is propelled and progress is made.

The unique element of this recognition program is that the paddle was actually used in the premier Hawaiian Canoe race, across the Molokai Channel, “Na Wahine O Ke Kai” for women and “Molokai Ho’e” for men. The paddle has been anointed by Hawaiian waters and is felt in the hearts of those that commit to the preparation for this race. It speaks of teamwork, commitment, desire, courage, and of all things that make life worth living.

- The ***Ambassadors of Aloha Docent Program***, launched in April 2001, utilizes community volunteers to conduct tours which include insight into the locally commissioned \$2.5 million art program and the center’s impressive meeting and exhibition facilities. These volunteers undergo training that covers the construction of the building, the mission of the HCC, the building program, and the extensive landscaping. Tours are held twice weekly.
- The ***Convention Services Officers or CSO Program*** was implemented with a focus on training security personnel in a customer service program called the ***Spirit of Aloha***. Instead of being uniformed in typical security guard outfits, CSO’s are attired in aloha wear reinforcing this service philosophy to users of the center.
- Improved ***Community Relations*** was accomplished through increased communication with area residents including monthly mailers detailing monthly HCC events; holding periodic meetings with neighborhood boards and residents including attendance by Senator Carol Fukunaga and representation from Representative Galen Fox’s office; introducing changes in building operational practices such as moving the receipt of outside deliveries to Kalakaua Avenue in lieu of the residential area along Kahakai Street; installing “quiet please” neighborhood signage; mitigating the amount of light intruding into neighboring apartments at night; monitoring noise and traffic; and conducting coordination meetings with the Waikiki Citizens Patrol.
- ***Traffic Management*** has continued to be a challenge for HCC. Every effort is being made to mitigate traffic congestion issues and improvement in overall results is evident. Events such as the International Car Show are now booked annually and generate significant parking and traffic impacts. To help reduce congestion, an extra day was added to the three-day event. An overall parking study is also being completed this year to address alternative operational procedures.
- ***Customer Service and Feedback*** is taken seriously at the HCC. Each client of the center is asked to complete a comprehensive form to evaluate the facility and staff performance. HCC receives consistent ratings of *excellent* in most categories. Areas in need of improvement are addressed and corrected. Major clients are also encouraged to participate with HCC management in a post event critique meeting.

Recognitions and Acknowledgements for the year, include the following:

- HCC Recipient of Facilities Magazine “2001 Prime Site Award” for excellence in facilities and services for the fourth straight year.

- 2001 AIA Honolulu Grand Prize Design Award of Excellence to HCC architects: Wimberly Allison Wong & Goo of Honolulu and LMN Architects of Seattle.
- Sample of Letters of Appreciation received: Asian Development Bank President Tadao Chino, Honolulu Festival, International Association of Exhibition Management (IAEM), Read To Me International, AIA Honolulu, and Roman Catholic Diocese of Honolulu, Hawaiian Island Ministries, City and County of Honolulu, U.S. Coast Guard, and the State of Hawaii.
- “Outstanding Job” as reported by meeting planners at post convention meetings: Astra Zeneca, Compaq, National Association of Mortgage Brokers, IAEM, Sun Microsystems, 40th Hawaii Annual Meeting, and American Family Life Assurance Company of Columbus (AFLAC).



Convenient Internet stations available to IAEM conventioners



Greeters stationed at the entrance to the Marketplace

V. OTHER EFFORTS

34th Annual Meeting of the Board of Governors of the Asian Development Bank

On May 7–12, 2001, Hawaii hosted the 34th Annual Meeting of the Board of Governors of the Asian Development Bank (ADB) on behalf of the United States. While most of the meetings and social events were held the Hawaii Convention Center, several of the official social events, and some meetings were held at Waikiki hotels and other venues. The HTA was instrumental in bringing this high-level international financial gathering to Hawaii, and also served as the executive agency for the federal and state governments in planning and coordinating this prestigious conference.

The objectives of the meeting included:

- Demonstrating to the world that Hawaii can host major ministerial meetings;
- Showcasing the state's meeting infrastructure, including the state-of-the-art Hawaii Convention Center;
- Focusing world attention on Hawaii as a place where serious business takes place;
- Highlighting the state's science and technology assets and facilities;
- Allowing local business and government leaders to network with their counterparts in the global corporate, financial and government communities.

Hosting this high-level meeting posed several challenges for the state, including the following:

- Time. A two-year project had to be compressed into ten months. This occurred because Seattle—the city originally designated by the United States as the host city—bowed out less than a year before the opening ceremony;
- Security. This was a concern because of national and global trends of violent demonstrations at international financial meetings such as the World Trade Organization meeting in Seattle the previous year;
- Cost containment. The meeting required that the host site provide a number of amenities and appropriate venues, protocol and security support. While many of those proved to be resource intensive, some of their costs were offset by major national and local sponsors recruited by Mr. Walter Dods, CEO of First Hawaiian Bank. Mr. Dods was appointed to head the meeting's steering committee by Governor Cayetano.

With partnerships in the public and private sectors, Hawaii successfully hosted this meeting. The following are some of the event's highlights:

- Over 2,700 national and international participants attended, including 344 delegates, 53 observers, 921 guests and 239 spouses. There were 1,031 local attendees and a total of 140 media around the world and Hawaii covered the event.



The Global Pavillion



Advanced Technologies, including a first-ever satellite up-link

- The meeting showcased advanced technologies. Compaq Computer donated about a half million dollars of equipment and support including over 180 computers, 5 servers, and 100 hand-held wireless systems. The equipment was used in offices and as part of a cyber café. The event used about 160 internet connections worth about \$103,000, provided without charge by Priority Networks. For the first time satellite up-link and selected webcast services were provided for instant world-wide communication. Another first was on-line registration. Xerox Corporation provided a high-tech digital duplication center at cost.
- The creation of a first-ever global pavilion featuring 99 exhibitors including Hawaii businesses, universities, nonprofits and other public agencies.



Left to Right: President of the Asian Development Bank, Tadao Chino; Governor of Hawaii, Ben Cayetano; Secretary of the U.S. Treasury, Paul H. O'Neill; and Bank Secretary of the Asian Development Bank, Bindu Lohani.

The meeting was a great success and resulted in increased world-recognition of Hawaii's capability to host major international policy meetings. This was a key stepping stone in Governor Cayetano's goal to position Hawaii as the "Geneva of the Pacific."

VI. MOVING FORWARD

Today, more than ever, Hawaii's tourism industry plays a significant role in helping the state to stabilize the state's economic base while improving the quality of life for its residents. Certainly, there are challenges ahead, both in the short-term and future.

Some of the challenges that HTA faces in the present and upcoming months are outlined below:

- **Potential Budget Shortfall.** In light of the September 11th attacks, the Council of Revenues has forecasted lower TAT collections for FY 02 than previously anticipated. The HTA is carefully monitoring the actual monthly TAT collections to determine whether or not the HTA will have a budget shortfall in FY 02 and if so, to develop an appropriate action plan.
- **Impacts of September 11th.** Following the September 11th attacks on the U.S., Hawaii's tourism industry was and continues to be severely impacted. The HTA has been inviting the various representatives of the tourism industry including airlines, hotels, attractions, retail, cruise industry, events, and small business to its board meetings to present their assessments of the impacts and to voice their issues and concerns. In the area of marketing, the HTA with its marketing contractor, the HVCB, will continue to implement the Hawaii Tourism Action Plan to stabilize visitor arrivals to Hawaii by June 30, 2002. Through the implementation of its revised plan, *Ke Kumu*, the HTA will determine the best means of addressing the various concerns expressed by tourism industry representatives.
- **Tourism Data Collection and Reporting.** The HTA provides funding for READ to conduct tourism research activities for the state including tourism data collection and reporting the findings through a monthly visitor statistics report. The HTA is well-aware that the identification and receipt of relevant information on a timely basis is essential for both government and the private sector to use in formulating policy decisions, for making daily business decisions, and for future forecasting. As such, the HTA is considering whether additional resources may be needed in this area.
- **Preserving the Environment.** At its community meetings, the HTA heard from the community, the importance of working with the state's lead agency, Department of Land and Natural Resources (DLNR), to preserve Hawaii's natural environment. Although the HTA has not interpreted its statutory mandate to fund capital improvement projects, it is attempting to pursue other efforts to advocate the preservation of Hawaii's natural environment. HTA's support for a sustainable tourism study is one such effort. The HTA will also be working with the Administration and Legislature to determine the feasibility of changing the HTA board composition to include DLNR on its board.
- **Improving the Contracting Process.** As a government entity expending public dollars, the HTA follows the state budget execution policies for contracting which were designed to insure fiscal accountability, but not necessarily designed to expedite the processing of contracts. The HTA will be restructuring its organization and resources to become more efficient and serve as an oversight and administrative agency, rather than an operating entity. To this end, the HTA is looking at outsourcing contracts to other entities and will also redirect its staff resources to ensure the proper management of its contracts.

Yet with these challenges, the HTA believes that there are also opportunities and that this can translate into positive benefits for Hawaii and its people. However, it will take understanding, collaboration, and working together to make this happen. The HTA as the state entity charged with tourism oversight, plays a vital role, although only one of many, in working with other tourism stakeholders to build a future that is both flexible to changes, yet maintains the true essence of Hawaii. The HTA looks forward to the coming months to work with others to craft this future.

VII. HAWAII'S TRAVEL AND TOURISM INDUSTRY

The purpose of these pages is to share information on how the industry did for the year and to demonstrate how tourism contributes to Hawaii's economy. Below are some of the industry indicators for the year, based on the latest research available.

Visitor Industry Planning Targets for 2001

On April 4, 2001, the HTA adopted the following visitor industry planning targets for CY 2001:

	2000 Targets	2000 Actual	2001 Revised Targets
Visitor Expenditures	4.6%	6.2%	0.4%
Visitor Days	2.7%	2.8%	0.7%
Visitor Arrivals	2.5%	3.1%	2.2%

Based on these targets, Table 1 illustrates the industry's performance by the top MMAs, prior to the September 11th tragedies. As shown below, the data from READ indicates that prior to September 11, the HTA was achieving the 2001 planning targets set for visitor expenditures, visitor days and visitor arrivals.

Table 1: Targeted and Actual Visitor Performance (First 8 months of 2001)

	Visitor Expenditures			Visitor Days			Visitor Arrivals		
	Target (1) (Estimate) (\$billion)	% change over 2000	YTD% of Annual Target (2)	Target (million)	% change	YTD % of Annual Target	Target (million)	% change	YTD% of Annual Target
US West	\$2.347	0.0%	102.5%	16.2	-0.5%	103.2%	1.7	1.0%	101.5%
US East	\$2.171	2.5%	91.2%	12.7	2.0%	97.0%	1.3	3.0%	95.5%
Japan	\$1.590	-1.7%	103.5%	7.2	4.0%	98.4%	1.3	4.0%	92.4%
Canada	\$0.330	-1.1%	107.1%	2.2	-4.0%	102.0%	0.2	0.0%	98.6%
Others	\$0.676	-0.1%	108.1%	4.1	-0.2%	95.5%	0.4	0.8%	96.2%
Business supplement	\$0.347	2.5%	90.3%						
Total	\$7.461	0.4%	99.6%	42.4	0.7%	99.7%	4.8	2.2%	96.9%

(1) Estimates based on preliminary numbers for 2000 and HTA targets established April 4, 2001.

(2) YTD % of annual targets represents the percent of 2001 targets achieved for the first 8 months of 2001, based on READ statistics.

The tragic events of September 11, 2001, have and will continue to impact Hawaii's visitor industry, as evidenced below by the projected decreases in visitor expenditures, visitor days and visitor arrivals for the last four months of 2001, as shown in Table 2 below:

Table 2: Targeted and Actual Visitor Performance (Last 4 months of 2001)

	Visitor Expenditures			Visitor Days			Visitor Arrivals		
	Target (1) (Estimate) (\$billion)	% change over 2000	YTD% of Annual Target (2)	Target (million)	% change	YTD % of Annual Target	Target (million)	% change	YTD% of Annual Target
US West	\$1.109	0.0 %	76.6 %	7.7	-0.5 %	77.1 %	0.8	1.0 %	77.7 %
US East	\$0.901	2.5 %	72.4 %	5.3	2.0 %	77.0 %	0.5	3.0 %	78.4 %
Japan	\$0.740	-1.7 %	74.9 %	3.3	4.0 %	71.2 %	0.6	4.0 %	66.1 %
Canada	\$0.117	-1.1 %	72.1 %	0.8	-4.0 %	68.6 %	0.1	0.0 %	61.3 %
Others	\$0.446	-0.1 %	77.7 %	2.7	-0.2 %	68.7 %	0.3	0.8 %	67.3 %
Business supplement	\$0.118	2.5 %	89.0 %						
Total	\$3.501	0.4 %	75.8 %	19.8	0.7 %	74.6 %	2.3	2.2 %	72.9 %

(1) Estimates based on preliminary numbers for 2000 and HTA targets established April 4, 2001.

(2) YTD % of annual targets represents the percent of 2001 target that will be achieved for the last four months of 2001. Visitor expenditures, visitor days, and visitor arrivals for the last four months are estimated based on the September-November preliminary data.

For the year, the industry's performance for visitor expenditures, visitor days, and visitor arrivals is expected to be, as listed below:

	2001 Revised Targets	2001 Projections*	% of Annual Targets Achieved by year-end
Visitor Expenditures	\$10.96 billion	\$10.08 billion	92.0 %
Visitor Days	62.15 million	57.01 million	91.7 %
Visitor Arrivals	7.10 million	6.34 million	89.3 %

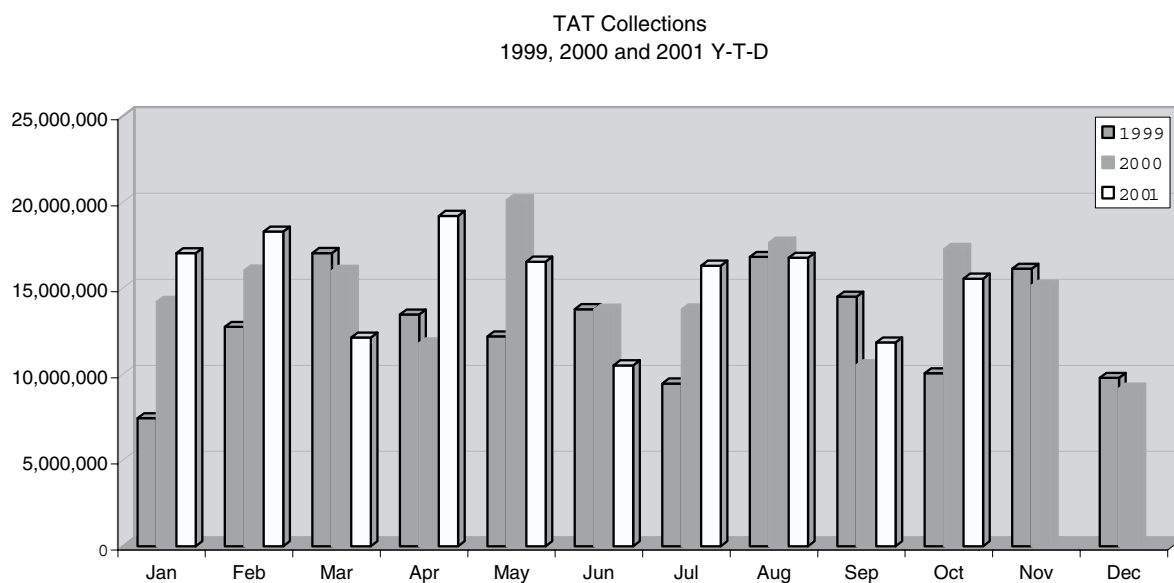
*2001 projections are based on READ statistics using actual information from January – November and projections for the month of December.

Transient Accommodations Tax (TAT) Collections

Another measurement of the industry's performance is the amount of TAT collections that the state receives each month. The more TAT collected, the more benefits that are accrued to the state as a whole and to the individual counties, which therefore benefits Hawaii's residents. Of the monthly revenues collected:

- 17.3 percent is deposited into the convention center capital special fund;
- 37.9 percent is deposited into the tourism special fund (HTA's fund); and
- 44.8 percent is distributed to the counties (14.5 percent to Kauai, 18.6 percent to Hawaii, 22.8 percent to Maui and 44.1 percent to Honolulu).

Year-to-date 2001 (through October 2001), show TAT collections to be at \$154.1 million, an increase of 2.0 percent over the same time period last year as shown below:



Source: Department of Taxation

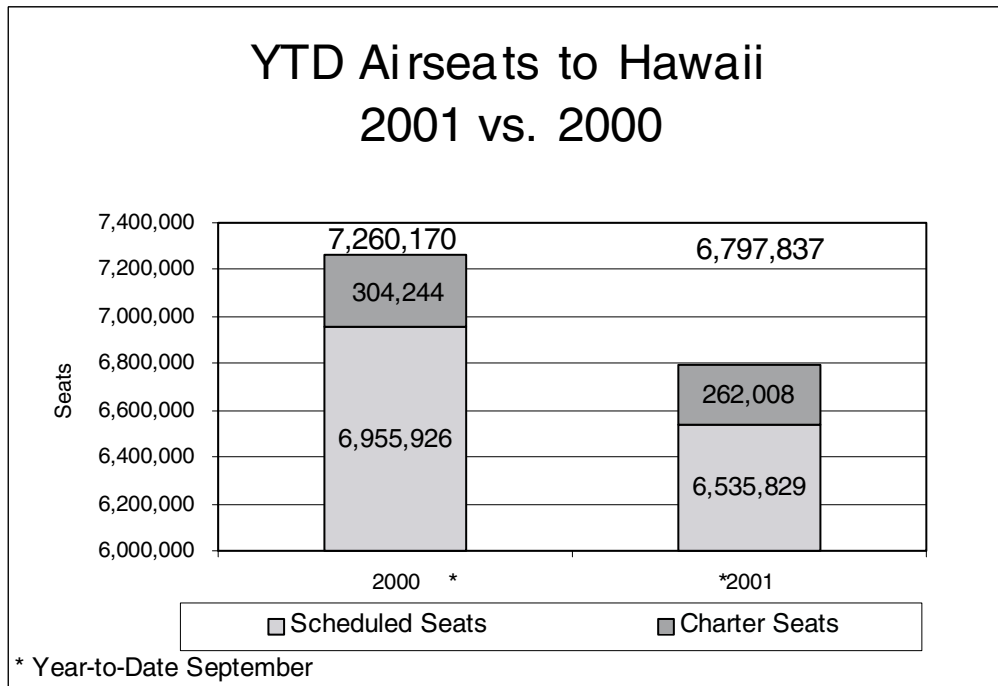
Airlift to Hawaii

2001 marked a downward trend in air service to Hawaii as evidenced by the 6.4 percent decrease in total seats (year-to-date September 2001) to the state. This trend started in early 2001, with the reduction of charter flights to Hawaii fueled by a decrease in airlift from the U.S. East and Japan.

Then, came the September 11th tragedies. While most Hawaii carriers continued with their normal service, the following airlines reduced service to the state:

- Air New Zealand reduced weekly service;
- ANA suspended the Nagoya-Honolulu flight;
- Japan Airlines reduced flights by 30 percent;
- Canada 3000 suspended all flights to Hawaii;
- Hawaiian Airlines suspended two flights (Los Angeles-Kahului and Seattle-Honolulu); and
- United Airlines suspended two flights (Los Angeles-Honolulu and San Diego-Honolulu).

Airlift to Hawaii was further reduced when carriers such as Continental, Delta, and Hawaiian Airlines began replacing their DC-10s with newer, smaller aircraft, carrying fewer passengers.



Source: DBEDT

Contributions of Hawaii's Travel & Tourism's Economy in 2001

- Hawaii's Travel & Tourism Economy is estimated to account for approximately 186,350 jobs or 25.0 percent of total employment for the state;
- Hawaii's Travel & Tourism Economy is expected to produce \$6.9 billion or 18.0 percent of Gross State Product;
- Hawaii's Travel & Tourism Economy taxes are expected to contribute \$906 million tax dollars to the state and county government or 20.2 percent of total state and county tax revenue.

Source: DBEDT

Hawaii Tourism Authority Fiscal Year 2001 Actuals (\$000)

REVENUES

Tourism Special Fund (37.9% TAT Collections)	\$67,145
Investment Pool Interest/Miscellaneous	528

TOTAL REVENUES

\$67,673

TOTAL APPROPRIATIONS

\$61,000

HTA EXPENDITURES

Administrative Costs (3% cap)	1,564
Sports & Festival Events (includes Pro Bowl/PGA)	8,594
Community & Special Events	932
Product Development	4,056

HAWAII VISITORS & CONVENTION BUREAU (Includes Island Chapters)

Leisure Marketing	40,500
Meetings, Conventions & Incentives Costs	5,200

TOTAL HTA EXPENDITURES

\$60,846

Responsibilities of the Hawaii Tourism Authority

According to HRS 201B (Act 156), the Hawaii Tourism Authority is authorized to:

- ◆ Create a vision and develop a long-range plan for tourism in Hawaii, including product development, infrastructure and diversification issues;
- ◆ Develop, coordinate and implement State policies and directions for tourism and related activities taking into account the economic, social and physical impacts of tourism on the state;
- ◆ Develop and implement the State tourism strategic marketing plan, which shall be updated every three years, to promote and market the state as a desirable visitor destination;
- ◆ Have a permanent, strong focus on marketing and promotion;
- ◆ Conduct market development-related research as necessary;
- ◆ Coordinate all agencies and advise the private sector in the development of tourism-related activities and resources;
- ◆ Work to eliminate or reduce barriers to travel in order to provide a positive and competitive business environment, including coordinating with the Department of Transportation on issues affecting airlines and air route development;
- ◆ Market and promote sports-related activities and events;
- ◆ Coordinate the development of new product lines with public and private sectors, including the development of sports, culture, health, education, business and ecotourism;
- ◆ Establish a public information and education program to inform the public of tourism and tourism-related problems;
- ◆ Encourage the development of tourism educational, training and career counseling programs; and
- ◆ Establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and taking appropriate action as necessary.

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